Annual Report 2014

Molonglo Financial Services Limited

ABN 77 100 097 443

Calwell **Community Bank**® Branch
Curtin **Community Bank**® Branch
Jerrabomberra **Community Bank**® Branch
Wanniassa **Community Bank**® Branch

Contents

Chairman and Managers' report

For year ending 30 June 2014

It is my pleasure to present the 12th Annual Report of Molonglo Financial Services Limited.

We began the 2013/14 financial year in a challenging position. The Directors and staff of the company resolved to revitalise our approach to growing the business while continuing to minimise overall costs. Part of this strategy involved Planning Days that allowed us to identify new ways to tackle the unique issues associated with the opening of new branches. As a result each branch has exceeded the projected growth to bring this year to a loss of $211,390, a reduction of over $100,000 from the previous year.

Although the reduction in income resulting from Bendigo Bank's 'Restoring the Balance' initiative continues to impact our profitability, we believe that our performance this year was a testament to the inherent strength of the company. We continue to behold the growing uncertainty caused by the Federal Government's impact on the Canberra region and will adapt to this as the impact becomes clearer.

Each Branch Manager comments as follows:

Curtin Community Bank® Branch

At the start of the 2013/14 financial year, the Curtin **Community Bank**® Branch started with a balance sheet of $20.4 million in both deposits and lending. This produced an income of $12,600 per month. By the end of the financial year, the branch had grown its balance sheet by $14.9 million to finish with a total of $35.3 million in Funds Under Management (FUM). This has left Curtin **Community Bank**® Branch with a monthly income of $23,200 and in a strong position to continue growth into the 2014/15 financial year. The goal of the Curtin **Community Bank**® Branch is to finish the financial year with a minimum balance sheet of $46 million, as well as breaking even on a monthly basis.

Jerrabomberra Community Bank® Branch

Due to a lack of growth in the first half of the financial year, 2013/14 proved to be a challenging year for the Jerrabomberra **Community Bank**® Branch. Although FUM at $27.4 million have not grown as well as we hoped, substantial gains were made on targets in the last quarter, and they have carried over to the new financial year. This has increased our confidence in the future and we have renewed our emphasis on staff training, stronger business engagement, and the implementation of a new performance and marketing monitoring model.

Calwell Community Bank® Branch

Almost 12 years since opening on 9 December 2002, the team at Calwell **Community Bank**® Branch has seen FUM grow to $87.7 million at the end of the 2013/14 financial year. This includes lending of $50 million and mainstream deposits of over $34 million. In addition, our activities in the community are reinforcing our presence in the South Tuggeranong area.

Wanniassa Community Bank® Branch

2013/14 saw the branch's FUM reach the heady heights of $100 million, being split between the traditionally strong deposits of $53 million and loans of $45 million. This shows a pleasing growth in lending of $10 million over the year. The branch generated a net profit for the year of $202,000.

Chairman and Managers' report (continued)

The year saw many changes in personnel such as the departure of our Group General Manager, Nicholas Brookes, as well as our Jerrabomberra and Wanniassa **Community Bank**® Branch Managers, Jon Wells and Denise Weisse. We thank them all for their years of hard work and wish them all the best in their new roles and new cities around the country. In their absence, we have recruited Mike Tisshaw and Rebecca Whitehouse to take over at Wanniassa and Jerrabomberra **Community Bank**® branches respectively. Mike has 25 years' experience in the banking industry between his time in the UK and Australia. Rebecca has worked in the past for one of the big four banks and has over five years in the financial services industry. Since joining us, she has overseen a last quarter turnaround in the Jerrabomberra **Community Bank**® Branch performance, and aims to continue this into next year.

Community involvement naturally lies at the heart of what we do, and after the major contributions made for the company's 10th anniversary, which totalled $300,000 to the local community, Molonglo Financial Services Limited returned to normal levels of contributions in 2013/14. To make our anniversary contributions, we were able to draw on funds deposited to the Community Enterprise Foundation™ in previous years, before the effects of 'Restoring the Balance' were known or felt. In addition, we drew on money from the Market Development Fund (MDF) which, as many of you know, is money returned to MFS from growing business in their local area. Funds from the MDF and Community Enterprise Foundation™ were allocated throughout the year, allowing us to still have a positive impact on the local community, while making little to no impact on our cash flow.

This year, our staff have been able to work with fantastic community groups, such as:

Cancer Support Group	Tuggeranong Buffaloes Junior Rugby League Club
Curtin Primary School	National Health Co-op
Jerrabomberra Primary School	PCYC
Jerrabomberra Tennis	Autism Asperger ACT
Queanbeyan Tigers	St. Anthony's School
Curtin Turns 50	Theodore Primary School
Special Olympics ACT	Michelago Mayfair
Woden Senior Group	Relay for Life Team – Infinite Believers
Starlight Foundation	The Terry Campese Foundation

Over the year, our branch staff have taken a greater role in their marketing and relationship building with community groups, allowing each branch to have more input to these relationships. As a result, all staff members are using their banking skills and community ties to benefit all stakeholders of the company.

Jayson Richard Hinder
Chairman

Damian McNamara
Curtin Community Bank®
Branch

Mike Tisshaw
Wanniassa Community Bank®
Branch

Rebecca Whitehouse
Jerrabomberra Community Bank®
Branch

Integrated reporting

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and Non-Governmental Organisations. This coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting. The International Framework for integrated reporting (<IR>) has been developed to meet this need and provide a foundation for the future.

The IIRC states that <IR> can promote a more cohesive and efficient approach to corporate reporting and aims to improve the quality of information available to providers of financial capital.

Although <IR> is in its infancy in Australia, Molonglo Financial Services Limited (MFSL) believes that there is a need for improved dialogue with our shareholders and employees by undertaking our first report using the IIRC framework.

Organisational overview and external environment

Through our four **Community Bank**® branches of Bendigo Bank, the company provides a full range of banking services. We employ staff who have to meet the stringent requirements of Bendigo Bank in delivering banking services. The regional staff of Bendigo Bank give specialist assistance for business banking and financial advice to customers, and monitor compliance of our staff with Bendigo Bank procedures and expected levels of customer service. Our Directors are not provided with details of customers' financial products.

The branches operate in a very competitive banking environment, with associated aggressive marketing of products. The costs and returns of products are determined by Bendigo Bank. Within the Capital Region, the Bendigo Bank presence comprises our four **Community Bank**® branches and two company branches in Civic and Jamison. As a result, our limited street exposure is a constraint on business growth.

We pride ourselves on being locally owned with local Directors. The **Community Bank**® concept is unique in Australia. In general, 80 per cent of profits are returned to the community through grants and sponsorships. This feature has been particularly attractive to community-minded shareholders. In recent times, the community focus has also been adopted by other banking providers, thereby diminishing the impact of the Bendigo Bank approach.

Governance

The structure of the company governance is a Board of Directors supported by four committees: Audit and Finance; Business Development, Sponsorship and Marketing; Human Relations; and Governance and Strategic Planning. The Board and committees generally meet monthly with Directors being members of two or more committees. In addition, specialist advisors are invited to assist some committees.

MFSL has a comprehensive Policy Manual, which has recently been reviewed and is updated on a regular basis.

Business model

The business model by which the MFSL branches operate is governed by a franchise agreement with Bendigo Bank. Under this arrangement MFSL pays Bendigo Bank a franchise fee for each branch and undertakes to fulfil a large number of obligations. There are various arrangements for either sharing profit from certain financial products or MFSL receives an upfront or trailer commission. Further details are provided in the notes to the financial report.

Risk and opportunities

As a result of the comprehensive procedures applied by Bendigo Bank, risks of significant fraud and burglary are minimised. Additionally, MFSL has in place comprehensive insurance policies.

Integrated reporting (continued)

The major risk to the company as a whole is a reduction in business as a result of a downturn in the economy, or from an increase in unemployment levels flowing from government decisions affecting the Capital Region. A continuing risk is the slow growth of business at our newest **Community Bank**® branches at Jerrabomberra and Curtin. For each of these branches we are placing increased emphasis on growing business banking.

Our opportunities relate to our close connection to local community groups through our sponsorship and grant program. Many of these groups conduct banking with MFSL branches or encourage their members to bank with us. There are continuing opportunities for capitalising on this approach, notwithstanding that funds distributed through our sponsorship and grant program will be limited in the present financial year.

Further opportunities relate to our valuable shareholders by assisting them to either transfer banking to our branches or increase their use of our banking products.

We have considered ceasing trading on Saturday mornings, as the overtime costs are significant. However, we believe that this service is a point of difference from other banks and meets a need for banking access on Saturdays for many of our customers.

Strategy and resource allocation

Our future value to our customers, shareholders and the general community depends upon us:

- Providing high quality service in order to retain and attract customers.
- Actively expanding our customer base and increasing the use of products and services by existing customers.
- Promoting the Bendigo Bank brand and its related community support, with particular focus on our branches.
- Obtaining pertinent business intelligence.
- Keeping abreast of the societal and other changes, understanding their impact on our operating environment and responding well.
- Developing and maintaining clear roles, strategy and direction for all our business activities.
- Implementing and always demonstrating strong business and governance practices.
- Developing and maintaining strategic alliances with community groups and ensuring that they, in turn, actively support us.
- Demonstrating a strong understanding of community leadership, and mentoring or supporting those who work alongside us.
- Reporting our progress and achievements for the information of our supporters and clients.
- Expanding our presence on the basis of favourable business cases.
- Encouraging a learning environment and investing in the development of our staff and directors.
- Implementing a contemporary succession plan for both employees and Directors.

These approaches are all part of the strategies adopted by the company. Particular emphasis is currently being placed on marketing activities specific to branches. Additionally, across the company, much effort is being given to reducing discretionary costs. As staffing is our highest cost, special attention is being paid to the most efficient deployment of individuals to meet trading requirements.

Performance

Last financial year the company made a loss. This is the third consecutive year this has occurred. As a result of extensive analysis of costs and modest business growth, the loss for the financial year ending 30 June 2014 was one-third less than the previous financial year.

Integrated reporting (continued)

Calwell and Wanniassa **Community Bank**® branches continue to be profitable. Before Bendigo Bank gives approval for the establishment of **Community Bank**® branches, formal business cases need to forecast profitability within three years. Unfortunately, business growth for Jerrabomberra and Curtin **Community Bank**® branches has not matched expectations. With the support of Bendigo Bank Regional Office, every effort is being made to grow the business of these two branches.

Outlook

Our budget for the 2014/15 financial year is based on a small surplus for the company. Our staff members are very conscious of the need to grow the business and engender customer loyalty. They are determined to return the company to surplus, to generate sufficient income to allow for future dividends and to continue to provide financial support to the Capital Region community. Recent income levels for the company indicate that there has been sufficient turnaround to look to a positive future of slow yet steady growth in profitability.

Basis of presentation

This report has been developed cooperatively between Directors and Branch Managers in consultation with our staff. The information presented is intended to provide realistic information to complement that normally provided in the company's Annual Report.

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Jayson Richard Hinder
Chair
Occupation: Solicitor
Qualifications, experience and expertise: Degrees in both Law and Political Science, current and previous executive positions with various Committees. Involved in several sporting groups. Originally trained as a motor mechanic, Hayson has managed a range of businesses for both himself and others.
Special responsibilities: Chair. Ex officio - Audit & Finance, Business Development, Sponsorships & Marketing, Human Resources, Governance & Strategic Planning
Interest in shares: 15,752

Alan Hayllar Hodges AM
Deputy Chair
Occupation: Consultant
Qualifications, experience and expertise: Has broad policy, management and personnel experience in the Army and the Australia Public Service. As a brigadier he had senior Defence and Army appointments, including Commander of the Army in Western Australia. Subsequently, in the Australian Public Service he was Director General Emergency Management Australia for five years. He has undertaken consultancy tasks with the Federal, Victorian and New Zealand Governments, national peak bodies and a number of community organisations. He is currently on the board of Relationships Australia, Canberra and Region and is a member of a number of faith-based committees. Alan is a Member of the Order of Australia and has degrees in Civil Engineering, Economics and Commerce.
Special responsibilities: Deputy Chair of Board, Chair: Governance & Strategic Planning, Member: Finance and Audit Committee.
Interest in shares: 6,000

Neale Desmond Guthrie
Director
Occupation: Senior Executive
Qualifications, experience and expertise: Neale has nearly nine years' experience as a Senior Executive in the ACT Public Service. He has served on five management boards for ACT Government managed agencies. Neale also has over 30 years of management experience in various leadership and management roles in the Australian Regular Army, private industry and ACT Public Service. Neale has attained the following degrees: Master of Science (Management), Graduate Diploma (Management), Bachelor of Engineering (Civil).
Special responsibilities: Chair: Business Development and Marketing and Sponsorship committees.
Interest in shares: Nil

Directors (continued)

Brian Joseph Brown
Director
Occupation: Councillor
Qualifications, experience and expertise: Councillor at Queanbeyan City Council. Deputy Chair at Regional Development Australia Southern Inland.
Special responsibilities: Deputy Chair: Human Resources and Organisational Development, Deputy Chair: A+F, Member: BDSM.
Interest in shares: 4,500

Ann Jennifer Dalton
Director
Occupation: Group Executive
Qualifications, experience and expertise: Currently the Group Executive, Engagement and Advocacy with The Pharamcy Guild of Australia which represents community pharmacy. Communication - internal and external, public relations, campaign design and implementation, messaging, policy development, strategic planning, governance, project planning and implementation, crisis communication and problem solving applying skills, stakeholder relations and advocacy, government relations and lobbying, healthcare, community pharmacy and the pharmaceutical industry. Member Public Relations Institute of Australia and Bachelor of Arts (Communication).
Special responsibilities: Governance and Strategic Planning Committee
Interest in shares: 2,000

Matthew Garry Harvey
Director (Appointed 15 January 2014)
Occupation: Air Force Officer
Qualifications, experience and expertise: Matthew has been an officer in the Royal Australian Air Force for nearly 25 years. He is a graduate of the Australian Defence Force Academy, the Royal Military College Duntroon and the Australian Command and Staff College. Currently holds a Bachelor of Science (Maths and Physics) and a Master of Arts (Strategy and Management). Matthew is a member of the Australian Institute of Company Directors and was on the board of Directors of the Canberra Services Club from 2008 until 2013 and was President for the last 3 years.
Special responsibilities: HR Committee, Governance and Strategic Planning Committee, Business Development, Sponsorship and Marketing Committee.
Interest in shares: 2,000

Simon Gerald Hulett Maddox
Director (Resigned 15 June 2014)
Occupation: Book Dealer
Qualifications, experience and expertise: Simon studied Arts/Law before switching to Architecture. Simon has also completed a Post Graduate Diploma in Social Communication. Simon was a founding member of the Curtin **Community Bank**® Steering Committee, taking the role of Chair after Vincent Tran left for Sydney.
Special responsibilities: Human Resources Committee and Business Development, Sponsorships & Marketing
Interest in shares: 3,000

Directors (continued)

Benjamin Patrick Duggan
Director (Resigned 30 April 2014)
Occupation: Student
Qualifications, experience and expertise: Ben Duggan is the Founder and Managing Director of Raising Hope Education Foundation. He is currently completing studies at the Australian National University and was Chair of the Australian National University Union Inc. Ben has previously been employed as an Advisor to a Federal Member of Parliament and an Electorate Officer for a State Member of Parliament. He has also worked for Teach for Australia. Ben has studied on a scholarship at the School for Social Entrepreneurs and received a scholarship from the Foundation for Young Australians for their Young Social Pioneers program. He also received a Miekle Files Black Leadership Scholarship for not-for-profit leaders. Ben is a representative for NSW on the Australian Youth Forum, is a member of Lions Australia, a White Ribbon Ambassador and an active volunteer in the community.
Special responsibilities: Member: Audit and Finance, Governance and Strategic Planning, Business and Marketing and Human Resources Committees
Interest in shares: Nil

Wendy Kaye Noel
Treasurer (Resigned 19 December 2013)
Occupation: Accountant
Qualifications, experience and expertise: Wendy is the Group Accountant at Capital Chemist, a local pharmacy group with over 30 pharmacies. She is a CPA with a Bachelor of Arts (Accounting). She has owned and worked with a range of small businesses for over 30 years.
Special responsibilities: Nil
Interest in shares: Nil

Directors were in office for this entire year unless otherwise stated.

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Cally Joyce Hannah. Cally was appointed to the position of secretary on 20 January 2014.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

There have been no significant changes in the nature of these activities during the year.

Operating results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 $	Year ended 30 June 2013 $
(211,390)	(326,648)

Remuneration report

Remuneration Policy

The remuneration policy of Molonglo Financial Services Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering to the Group General Manager specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience) and superannuation.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives to the Group General Manager must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which was 9.5% in 2013-14, and do not receive any other retirement benefits.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, key management personnel are paid employee benefit entitlements accrued to date of retirement.

Remuneration Structure

Non-executive Directors are paid Directors' fees as disclosed below.

Non-executive Director Remuneration Policy

The Board's policy is to remunerate non-executive directors at token rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability. The maximum aggregate amount of fees that can be paid to Directors requires approval by shareholders as required by the Corporations Act 2001 and is currently an amount up to $5,000 in aggregate.

Performance Based Remuneration

The key performance indicators (KPIs) are set annually in consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area in which each individual is involved and has a level of control. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses for the Group General Manager being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

The Company does not pay performance-based remuneration to any Director.

Remuneration report (continued)

Relationship Between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

The Group General Manager is paid a base salary which is between $100,000 and $120,000 plus the use of a company car. In addition the Group General Manager receives a bonus if the company exceeds the performance criteria established by the Board. The potential bonus exposure is capped at $40,000 for the Group General Manager.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The following table shows the gross revenue, profits and dividends for the last five years of the entity.

	2014	2013	2012	2011*	2010
Revenue	2,200,897	2,184,131	2,005,264	1,832,812	1,615,193
Net Profit/(Loss)	(211,390)	(326,648)	(133,303)	110,815	84,987
Dividend paid per share	Nil	Nil	2.0c	5.5c	5.5c
Gross dividend paid	-	-	60,288	138,600	138,600

* A 3 for 2 bonus share issue occurred during the year.

	$
Jayson Richard Hinder	910
Alan Hayllar Hodges AM	715
Neale Desmond Guthrie	375
Brian Joseph Brown	465
Ann Jennifer Dalton	225
Matthew Garry Harvey (Appointed 15 January 2014)	260
Simon Gerald Hulett Maddox (Resigned 15 June 2014)	20
Benjamin Patrick Duggan (Resigned 30 April 2014)	180
Wendy Kaye Noel (Resigned 19 December 2013)	205
	3,355

Transactions with directors

	$
Jaydon Hinder provided legal services and leased a shared premises to Molonglo FSL in the financial year. Total amount for the financial year was:	12,075

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Jayson Richard Hinder	15,002	750	15,752
Alan Hayllar Hodges AM	6,000	-	6,000
Neale Desmond Guthrie	-	-	-
Brian Joseph Brown	75,000	70,500	4,500
Ann Jennifer Dalton	500	1,500	2,000
Matthew Garry Harvey (Appointed 15 January 2014)	-	2,000	2,000
Simon Gerald Hulett Maddox (Resigned 15 June 2014)	3,000	-	3,000
Benjamin Patrick Duggan (Resigned 30 April 2014)	-	-	-
Wendy Kaye Noel (Resigned 19 December 2013)	-	-	-

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended		Committee Meetings Attended							
			Audit & Finance		Human Resources		Business Development, Sponsorships & Marketing		Governance & Strategic	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jayson Richard Hinder	13	13	9	9	4	4	9	7	9	6
Alan Hayllar Hodges AM	13	11	9	8	4	3	9	8	9	9
Neale Desmond Guthrie	13	11	-	-	-	-	9	9	-	-
Brian Joseph Brown	13	11	9	8	5	5	9	5	-	-
Ann Jennifer Dalton	13	10	-	-	-	-	-	-	9	4
Matthew Garry Harvey (Appointed 15 January 2014)	6	6	-	-	2	2	6	5	6	3
Simon Gerald Hulett Maddox (Resigned 15 June 2014)	12	2	-	-	4	-	9	-	-	-
Benjamin Patrick Duggan (Resigned 30 April 2014)	11	8	4	-	2	-	8	2	8	2
Wendy Kaye Noel (Resigned 19 December 2013)	7	5	4	4	2	2	-	-	-	-

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the Audit & Finance Committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

Non audit services (continued)

- all non-audit services have been reviewed by the Audit & Finance Committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the board of directors at Calwell, Australian Capital Territory on 10 September 2014.

Jayson Richard Hinder,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Molonglo Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 10 September 2014

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	2,200,897	2,184,131
Employee benefits expense		(1,461,791)	(1,477,339)
Charitable donations, sponsorship, advertising and promotion		(148,023)	(213,727)
Occupancy and associated costs		(252,502)	(278,697)
Systems costs		(124,288)	(129,174)
Depreciation and amortisation expense	5	(149,607)	(145,340)
Finance costs	5	(51)	(2,325)
General administration expenses		(358,966)	(404,732)
Loss before income tax credit		**(294,331)**	**(467,203)**
Income tax credit	6	82,941	140,555
Loss after income tax credit		**(211,390)**	**(326,648)**
Total comprehensive income for the year		**(211,390)**	**(326,648)**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	(5.57)	(8.6)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	358,427	597,535
Trade and other receivables	8	182,160	155,889
Total Current Assets		**540,587**	**753,424**
Non-Current Assets			
Property, plant and equipment	9	516,945	626,558
Intangible assets	10	164,170	219,244
Deferred tax assets	11	305,012	222,071
Total Non-Current Assets		**986,127**	**1,067,873**
Total Assets		**1,526,714**	**1,821,297**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	81,876	108,023
Borrowings	13	16,026	28,943
Provisions	14	65,498	66,537
Total Current Liabilities		**163,400**	**203,503**
Non-Current Liabilities			
Borrowings	13	47,481	94,249
Provisions	14	12,980	6,302
Trade and other payables	11	6,024	9,024
Total Non-Current Liabilities		**66,485**	**109,575**
Total Liabilities		**229,885**	**313,078**
Net Assets		**1,296,829**	**1,508,219**
Equity			
Issued capital	15	2,223,293	2,223,293
Accumulated losses	16	(926,464)	(715,074)
Total Equity		**1,296,829**	**1,508,219**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**2,223,293**	**(388,426)**	**1,834,867**
Total comprehensive income for the year	**-**	**(326,648)**	**(326,648)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	**2,223,293**	**(715,074)**	**1,508,219**
Balance at 1 July 2013	**2,223,293**	**(715,074)**	**1,508,219**
Total comprehensive income for the year	**-**	**(211,390)**	**(211,390)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	**2,223,293**	**(926,464)**	**1,296,829**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		2,387,535	2,414,639
Payments to suppliers and employees		(2,588,506)	(2,618,966)
Interest received		9,761	26,135
Interest paid		(51)	(2,325)
Income taxes paid		-	(7,145)
Net cash used in operating activities	**17**	**(191,261)**	**(187,662)**
Cash flows from investing activities			
Payments for property, plant and equipment		(18,687)	(140,615)
Proceeds from sale of property, plant and equipment		30,909	-
Payments for intangible assets		-	(115,372)
Net cash provided by/(used in) investing activities		**12,222**	**(255,987)**
Cash flows from financing activities			
Proceeds from borrowings		(60,069)	140,000
Repayment of borrowings		-	(35,677)
Net cash provided by/(used in) financing activities		**(60,069)**	**104,323**
Net decrease in cash held		**(239,108)**	**(339,326)**
Cash and cash equivalents at the beginning of the financial year		597,535	936,861
Cash and cash equivalents at the end of the financial year	**7(a)**	**358,427**	**597,535**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Calwell, Wanniassa and Curtin in the Australian Capital Territory and Jerrabomberra in New South Wales.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

Going concern

The net assets of the company as at 30 June 2014 were $1,296,829 and the loss made for the year was $211,390, bringing accumulated losses to $926,464.

In addition:	**$**
Total assets were	1,526,714
Total liabilities were	229,885
Operating cash flows were	(191,261)

There was a 35.29% decrease in the loss recorded for the financial year ended 30 June 2014 when compared to the prior year.

The company meets its day to day working capital requirements through cash reserves which have been drawn to $358,427 as at 30 June 2014.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 7 to 14. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. While the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves to meet its current obligations.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

Note 2. Financial risk management (continued)

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2014 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Note 3. Critical accounting estimates and judgements (continued)

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	2,190,673	2,150,563
- other revenue	463	354
Total revenue from operating activities	**2,191,136**	**2,150,917**
Non-operating activities:		
- interest received	9,761	29,838
- profit on disposal of non-current asset	-	3,376
Total revenue from non-operating activities	**9,761**	**33,214**
Total revenues from ordinary activities	**2,200,897**	**2,184,131**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	25,234	22,644
- leasehold improvements	40,365	40,338
- motor vehicle	28,934	26,897
Amortisation of non-current assets:		
- franchise agreement	8,615	8,692
- franchise renewal fee	18,459	18,769
- establishment fee	28,000	28,000
	149,607	**145,340**
Finance costs:		
- interest paid	**51**	**2,325**
Bad debts	**1,575**	**-**
Loss on disposal of asset	**2,858**	**-**

Note 6. Income tax expense/credit

The components of tax expense comprise:		
- Current tax	-	-
- Future income tax benefit attributable to losses	(80,267)	(126,527)
- Movement in deferred tax	(2,674)	(8,028)
- Over provision of tax in the prior period	-	(6,000)
	(82,941)	**(140,555)**

	Note	2014 $	2013 $
Note 6. Income tax expense/credit (continued)			
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating loss		(294,331)	(467,203)
Prima facie tax on loss from ordinary activities at 30%		(88,299)	(140,159)
Add tax effect of:			
- non-deductible expenses		9,600	9,775
- timing difference expenses		2,674	8,028
- other deductible expenses		(4,242)	(4,171)
		(80,267)	**(126,527)**
Movement in deferred tax	11	(2,674)	(8,028)
Over provision of income tax in the prior year		-	(6,000)
		(82,941)	**(140,555)**

Note 7. Cash and cash equivalents

Cash at bank and on hand		152,840	172,333
Term deposits		205,587	425,202
		358,427	**597,535**
Note 7.(a) Reconciliation to cash flow statement			
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		152,840	172,333
Term deposits		205,587	425,202
		358,427	**597,535**

Note 8. Trade and other receivables

Trade receivables		175,499	144,706
Other receivables and accruals		3,062	6,210
Prepayments		3,599	4,973
		182,160	**155,889**

	2014 $	2013 $

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	305,047	286,360
Less accumulated depreciation	(205,560)	(180,326)
	99,487	**106,034**
Leasehold improvements		
At cost	472,239	472,239
Less accumulated depreciation	(100,129)	(59,764)
	372,110	**412,475**
Motor Vehicle		
At cost	82,453	132,453
Less accumulated depreciation	(37,105)	(24,404)
	45,348	**108,049**
Total written down amount	**516,945**	**626,558**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	106,034	110,724
Additions	18,687	17,954
Disposals	-	-
Less: depreciation expense	(25,234)	(22,644)
Carrying amount at end	**99,487**	**106,034**
Leasehold improvements		
Carrying amount at beginning	412,475	450,788
Additions	-	2,025
Disposals	-	-
Less: depreciation expense	(40,365)	(40,338)
Carrying amount at end	**372,110**	**412,475**
Motor Vehicle		
Carrying amount at beginning	108,049	10,935
Additions	-	132,453
Disposals	(30,909)	(8,442)
Less: depreciation expense	(31,792)	(26,897)
Carrying amount at end	**45,348**	**108,049**
Total written down amount	**516,945**	**626,558**

	2014 $	2013 $

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	163,074	163,074
Less: accumulated amortisation	(136,640)	(128,026)
	26,434	**35,048**
Establishment fee		
At cost	140,000	140,000
Less: accumulated amortisation	(65,334)	(37,334)
	74,666	**102,666**
Renewal processing fee		
At cost	172,298	172,298
Less: accumulated amortisation	(109,228)	(90,768)
	63,070	**81,530**
Total written down amount	**164,170**	**219,244**

Note 11. Tax

	2014 $	2013 $
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	23,543	21,814
- tax losses carried forward	282,387	202,120
	305,930	**223,934**
Deferred tax liability		
- accruals	(919)	1,863
- deductible prepayments	-	-
	(919)	**1,863**
Net deferred tax asset	**305,012**	**222,071**
Movement in deferred tax charged to statement of comprehensive income	**(82,941)**	**(146,555)**

	Note	2014 $	2013 $

Note 12. Trade and other payables

	Note	2014 $	2013 $
Current:			
Trade creditors		71,387	59,498
Other creditors and accruals		7,489	45,525
Lease incentive		3,000	3,000
		81,876	**108,023**
Non-current:			
Lease incentive		6,024	9,024
		87,900	**117,047**

Note 13. Borrowings

	Note	2014 $	2013 $
Current:			
Credit card facilities		384	2,781
Lease liability	18	15,642	26,162
		16,026	**28,943**
Non-Current:			
Lease liability	18	47,481	94,249
		47,481	**94,249**

The chattel mortgage is for four motor vehicles for a total amount of $90,000. It is repayable monthly with the final instalments due in September 2015. Interest is recognised at an average rate of 5.75%. The loans are secured by a fixed and floating charge over the company's assets

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	42,947	58,857
Provision for long service leave	22,551	7,680
	65,498	**66,537**
Non-Current:		
Provision for long service leave	**12,980**	**6,302**

	2014 $	2013 $

Note 15. Contributed equity

	2014 $	2013 $
3,798,115 ordinary shares fully paid (2013: 3,798,115)	1,008,007	1,008,007
494,401 ordinary shares fully paid (Jerrabomberra)	494,401	494,401
783,700 ordinary shares fully paid (Curtin)	783,700	783,700
Less: equity raising expenses (Jerrabomberra)	(32,082)	(32,082)
Less: equity raising expenses (Curtin)	(30,733)	(30,733)
	2,223,293	**2,223,293**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branches have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2014 $	**2013 $**

Note 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(715,074)	(388,426)
Net loss from ordinary activities after income tax	(211,390)	(326,648)
Dividends paid or provided for	-	-
Balance at the end of the financial year	**(926,464)**	**(715,074)**

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2014 $	2013 $
Loss from ordinary activities after income tax	(211,390)	(326,648)
Non cash items:		
- depreciation	94,533	89,879
- amortisation	27,074	27,461
(Profit)/loss on disposal of fixed assets	2,858	(3,376)

	2014 $	2013 $

Note 17. Statement of cash flows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	(26,271)	50,495
- increase in other assets	(82,941)	(146,555)
- increase/(decrease) in payables	(28,763)	63,637
- increase in provisions	5,639	30,590
- decrease in current tax liabilities	-	(1,145)
Net cash flows used in operating activities	**(219,261)**	**(215,662)**

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments:		
- not later than 12 months	18,864	32,310
- between 12 months and 5 years	48,144	99,936
- greater than 5 years	-	-
Minimum lease payments	**67,008**	**132,246**
Less future finance charges	(3,885)	(11,835)
Present value of minimum lease payments	**63,123**	**120,411**

The finance lease relates to the lease of four motor vehicles, which commenced in September 2012. The lease is for five years with an option to purchase at the end of the term. Lease payments are made monthly in advance and interest is recognised at an average rate of 5.75%. No contingent rental is payable and the liability is secured by the assets under leases.

	2014 $	2013 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	197,906	197,907
- between 12 months and 5 years	369,685	567,593
- greater than 5 years	-	-
	567,591	**765,500**

The rental lease agreement on the Calwell branch premises is a non-cancellable lease with a fifteen year term, expiring on 31 August 2017. The rent payable is currently $57,833 per annum plus GST.

Note 18. Leases (continued)

Operating lease commitments (continued)

The rental lease agreement on the Wanniassa branch premises is a non-cancellable lease with a five year term, expiring 30 November 2017. The rent payable is currently $38,056 per annum with no GST applicable.

The rental lease agreement on the Jerrabomberra branch premises is a non-cancellable lease with a five year term, expiring 31 July 2016. There is an option available for a further five year term. The rent payable is currently $51,745 per annum plus GST.

The rental lease agreement on the Curtin branch premises is a non-cancellable lease with a five year term, expiring 31 May 2017. There is an option available for a further five year term. The rent payable is currently $50,272 per annum with no GST applicable.

The Company lease office space within Jayson Hinder Solicitor's business premises of which Chairman Jayson Hinder is the premises leaseholder. The agreement is that Jayson be reimbursed $766.13 per month and the agreement is on a month to month basis and can be terminated at one month notice from the Board.

	2014 $	2013 $

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

	2014 $	2013 $
- audit and review services	9,900	9,930
- share registry services	-	4,562
- non audit services	2,281	3,819
	12,181	**18,311**

Note 20. Director and related party disclosures

Key Management Personnel Remuneration

	2014 $	2013 $
Short-term employee benefits	15,430	8,784
	15,430	**8,784**

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

	2014 $	2013 $

Note 21. Dividends paid or provided

a. Franking account balance

	2014 $	2013 $
Franking credits available for subsequent reporting periods are:	19,197	19,197
- franking account balance as at the end of the financial year	-	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**19,197**	**19,197**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**19,197**	**19,197**

Note 22. Earnings per share

		2014 $	2013 $
(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(211,390)	(326,648)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,798,115	3,798,115

Note 23. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 24. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Wanniassa, Calwell, Curtin in the Australian Capital Territory and in Jerrabomberra in New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal places of business are:

Registered Office	Principal Place of Business
C/- Jayson Hinder & Associates Shop 5/12 Kippax Place Holt ACT 2615	Unit 13 & 14 Wanniassa Shopping Centre Sangster Place Wanniassa ACT 2905
	Shop 19 Calwell Shopping Centre Weber Crescent Calwell ACT 2905
	Shop 2A Jerrabomberra Shopping Centre 2 Limestone Avenue Jerrabomberra NSW 2917
	Shop 1 Curtin Shopping Centre 20 Curtin Place Curtin ACT 2605

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	152,238	171,940	205,587	425,202	-	-	-	-	602	390	2.88	3.9
Receivables	-	-	-	-	-	-	-	-	175,499	144,706	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	15,642	26,162	47,481	94,249	-	-	-	-	5.75	5.7
Payables	-	-	-	-	-	-	-	-	87,900	117,048	N/A	N/A

Note 27. Financial instruments (continued)

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	1,522	1,719
Decrease in interest rate by 1%	1,522	1,719
Change in equity		
Increase in interest rate by 1%	1,522	1,719
Decrease in interest rate by 1%	1,522	1,719

Directors' declaration

In accordance with a resolution of the directors of Molonglo Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Jayson Richard Hinder,
Chairman

Signed on the 10th of September 2014.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Molonglo Financial Services Limited

Report on the financial report

I have audited the accompanying financial report of Molonglo Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

My responsibility is to express an opinion on the financial report based on the audit. I conducted the audit in accordance with Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The audit did not involve an analysis of the prudence of business decisions made by directors or management.

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with my understanding of the company's financial position and of its performance.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Independence

In conducting the audit I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Molonglo Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying my opinion, I draw attention to Note 1 in the financial report, which indicates that the company incurred a loss after tax of $211,390 during the year ended 30 June 2014, further reducing the company's net assets to $1,296,829. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Molonglo Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 10 September 2014

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